1999 Country Reports on Economic Policy and Trade Practices
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VENEZUELA

Key Economic Indicators

(Billions of U.S. Dollars unless otherwise indicated)

	1997	1998	1999
Income, Production and Employment:			
Nominal GDP	88.4	95.0	95.1
Real GDP Growth (pct)	5.9	-0.7	-5.0
GDP by Sector:			
Agriculture	2.5	-0.7	1.7
Manufacturing	4.5	-4.7	-8.0
Services	3.7	0.5	-4.7
Government	-3.4	1.0	3.2
Per Capita GDP (US$)	3,882	4,087	4,013
Labor Force (000s)	9,507	9,907	10,259
Unemployment Rate (pct)	10.6	11.0	18.0
Money and Prices (annual percentage growth):			
Money Supply Growth (M2)	62.5	18.6	3.7
Consumer Price Inflation	37.6	29.9	20.0
Exchange Rate (BS/US$ annual average)			
Official	488.6	547.6	628.9
Parallel	488.6	547.6	628.9
Balance of Payments and Trade:			
Total Exports FOB	23.7	17.5	18.5
Exports to United States	13.4	9.3	9.8
Total Imports FOB	13.7	14.0	11.0
Imports from United States	6.6	6.5	5.7
Trade Balance	10.0	3.5	7.5
Balance with United States	6.8	2.8	4.1
External Public Debt	23.8	22.9	22.6
Fiscal Surplus (Deficit)/GDP (pct)	1.7	-4.2	-3.1
Current Account Surplus (Deficit)/GDP (pct)	4.4	-1.8	1.7
Foreign Debt Service Payments/GDP (pct)	11.9	7.8	7.3
Gold and Foreign Exchange Reserves	17.8	14.8	15.1
Aid from United States	N/A	N/A	N/A
Aid from All Other Sources	N/A	N/A	N/A

1) Embassy's estimate based on inflation (20%), GDP Growth (-5%), Exchange rate (Bs/628.91), and population (23,706,711).
2) Embassy's estimate based on average of the official rate and most private estimates.
3) BCV and Veneconomy.
4) Calculation based on figures for no. 1 above.
5) Central Statistical Office (OCEI) as of the first semester 1999.
6) Ministry of Finance.
7) BCV as of October 29, 1999.
8) Embassy's estimate on the average for January-October, 1999.
9) Embassy's estimate based on the monthly depreciation rate of 1.28 percent.
10) Veneconomy.
11) Department of Commerce, January-July, 1999. Embassy used average and derived projections therefrom.
12) GOV Budget Office (OCEPRE).
13) Embassy calculation.
14) OCEPRE, BCV, and Embassy calculation.
15) BCV as of November 18, 1999.

1. General Policy Framework

Venezuela has undergone significant political and institutional change in the last year. In December 1998, Hugo Chavez Frias was elected President of Venezuela in a landslide. Chavez promised fundamental reforms that would benefit Venezuela's impoverished majority. Upon assuming office in February, Chavez began work on the centerpiece of his political project, a National Constituent Assembly (ANC) that would re-write Venezuela's Constitution. Pro-Chavez candidates won more than ninety percent of the seats in this Assembly in the July 1999 elections, and completed their work on a new Constitution draft on November 19. On December 15, the Venezuelan public will decide whether they approve in a national referendum vote.

Despite the attention required by the constitutional debate, the Chavez administration and the Venezuelan Congress have passed numerous economic sectoral laws over the last year. In April 1999, Congress gave President Chavez temporary powers to rule by decree in the economic area with the passage of the "Enabling Law." This "fast track" capability resulted in legislation in several areas, including new laws governing the electric and mining sectors, government procurement, income taxes, agricultural credit, and soon-to-be expected legislation covering foreign investment and telecommunications. The Chavez Administration also raised taxes to help cover the Government's budget deficit, levying a new financial transactions tax and broadening the base of the value added tax (VAT) (even as it lowered VAT tax rates to 15.5 percent) soon after taking office. Congress approved a Bilateral Tax Treaty with the United States in August 1999.

Much of the new legislation represented a welcome updating of old statutes and the introduction of new legal frameworks. The private sector generally looked with favor upon the sectoral legislation, particularly in the area of electric power generation. The new income tax law established taxation on the incomes of Venezuelan citizens, regardless of where they reside, a long-overdue reform that puts Venezuela into closer conformity with U.S. practices and could facilitate implementation of the Bilateral Tax Treaty, when that enters into force. Although some new legislation recognizes the importance of the private sector, other sectoral laws, such as the mining law, preserve an extensive role for the state. Prior to completing the draft in November, the constitutional debates had been fast-paced and wide-ranging. The continued blizzard of political activity has caused uncertainty that has kept some investors on the sidelines. Nonetheless, Venezuela remains a country characterized by private enterprise, although those same enterprises operate under the shadow of potential heavy government oversight and regulation.

The need for dramatic political reform was highlighted by the sharp economic downturn caused by a deep recession in Asia in 1997-1998 and a consequent fall in oil prices in the winter of 1997 and spring of 1998. When President Chavez assumed office in February 1999, oil had fallen to USD 8.43 per barrel, official unemployment reached 11 percent and budget calculations said the Government's budget deficit threatened to reach 9.5 percent of GDP. Chavez responded with a series of budget cuts, a .05 percent tax on financial transactions, a broadening of the 15.5 percent VAT tax, and a reported tightening of customs collections. On the petroleum front, Venezuela joined OPEC and non-OPEC countries in a new round of production cutbacks in March 1999. Since that time, oil prices have rebounded strongly, easing the government's oncedire fiscal emergency. (On October 21, 1999, the price of Venezuela's basket of crudes and refined products reached a high of USD 20.25 per barrel, an increase of 140 percent over the low of the previous February.) Moreover, inflation fell due to restrained increases in public sector wages, a tight monetary policy, and the economic recession. (The inflation rate fell from 30 percent in 1998 to an estimated 20 percent for 1999.) Unemployment increased strongly. The official rate of unemployment now stands at 15 percent and observers outside the government say that the real rate is closer to 20 percent. Much foreign investment remains on hold pending improvement on the economic front and the outcome of constitutional debates.

Venezuela is rich in petroleum, natural gas, hydroelectric power, bauxite, iron ore, coal, gold, and diamonds. The petroleum industry dominates Venezuela's economy. In 1998, it accounted for roughly 27 percent of the country's GDP, 70 percent of export earnings, and 43 percent of central government revenues. It is estimated that in 1999 PDVSA's share of government revenues will increase with the rise in oil prices. The petroleum, petrochemicals and gas sectors will continue to play critical roles in the economy as these areas are further opened to foreign investment.

The government has begun efforts to address the country's economic emergency through a variety of measures designed to both jump-start and ultimately to diversify the economy. The Chavez administration merged the Ministry of Agriculture and the Ministry of Industry and Commerce in October 1999 in an attempt to consolidate ministries and reduce government expenditures. The new Ministry of Production and Commerce is also undertaking programs to promote small and medium-sized businesses. President Chavez has also created a People's Bank to give loans to family businesses and micro-enterprises. Finally, the new tax law contains important incentives for investment, especially in the agricultural and tourist sectors in an effort to diversify the heavily petroleum-dominated economy.

Overall, Venezuelan GDP fell 9.5 percent in the first semester of 1999, the worst economic performance in ten years. By the fall of 1999, there were indications that the recession had bottomed out and some outside observers predicted that the Venezuelan economy would soon begin to recover. The Venezuelan stock index responded to this optimism and rose 35 percent in September 1999. Nonetheless, the Chavez government still faced difficult challenges in the form of stubbornly high unemployment, insufficient investment and continuing fiscal difficulties.

2. Exchange Rate Policy

Since the elimination of exchange controls and the large devaluation of April 1996, the Central Bank of Venezuela (BCV) has maintained the bolivar within a gradually devaluing band. During this period, the bolivar's depreciation has not kept up with the rate of inflation. The bolivar depreciated 12 percent from January 1 to mid-November 1999. The inflation rate for the same period ran over 18 percent. Despite the negative impact that a strong bolivar has on domestic manufactures and non-oil exports, the government is expected to maintain its band system throughout at least the first quarter of the year 2000, if not longer. BCV reserves remain sufficient to support the bolivar, barring some unforeseen economic shock. President Chavez has spoken of moving to a fixed exchange rate, but as of this writing, the government has taken no action in this area.

3. Structural policies

Pricing Policies: The government in recent years has lifted price controls on basic goods and services. Now only those pharmaceuticals with less than four competitive products and gasoline remain subject to price controls. The government eliminated the remaining subsidy on gasoline in 1997, bringing domestic retail prices up to export prices.

Tax Policies: The Venezuelan House of Deputies approved the U.S.-Venezuelan Bilateral Tax Treaty in August 1999. The U.S. Senate gave its advice and consent to the Treaty on November 5, and now the treaty awaits an exchange of notes and signature by the Chief Executives of Venezuela and the U.S. This treaty seeks to eliminate double withholding and to promote information sharing between the tax authorities of the two countries. Venezuela adopted a globally based tax system with the passage of a new income tax law in November 1999. This brings Venezuelan tax law into closer alignment with the U.S. and should facilitate implementation of the Bilateral Tax Treaty.

In Venezuela, the maximum income tax rate for individuals and corporations is 34 percent. Venezuelan law does not differentiate between foreign and Venezuelan-owned companies, except in the petroleum sector. PDVSA's hydrocarbon revenues are subject to a 67.7 percent income tax, in addition to a 16.7 percent royalty payment on production. In 1998, in a move criticized by some PDVSA executives, the government required PDVSA to pay a one-time "dividend" of $1.4 billion to help the Venezuelan government fund its fiscal deficit. The Chavez administration has indicated that it may seek further PDVSA revenues to meet budgetary needs.

Most joint ventures with PDVSA are liable to the same level of income tax, except for those involved in the development and refining of heavy and extra heavy crudes and off shore natural gas, which are subject to a reduced rate of 34 percent. (Joint ventures did not have to pay the 1998 dividend.) The government announced in September 1996 that current and future projects involving extra heavy crude oil would also be entitled, on a case by case basis, to temporary reductions in the 16.7 percent royalty payment to as low as 1.5 percent. These reductions are granted for the construction phase of the projects.

Since 1993, the government has imposed a one- percent corporate assets tax, assessed on the gross value of assets (with no deduction for liabilities) after adjustment for depreciation. Venezuela also applies a luxury tax, at a rate of 10 or 20 percent, on certain items such as jewelry, yachts, and high-priced automobiles and cable television.

The Chavez administration began making important changes to the tax system in an effort to raise revenues under the auspices of the Enabling Law passed in April 1999. On May 14, 1999, the government imposed a 0.5 percent bank debit tax. On June 1, 1999, the government replaced its wholesale tax (ICVSM) with a value-added tax (IVA). The value-added tax rate is 15.5%, one percent lower than the rate of the wholesale tax it replaces. The new tax eliminates some exemptions, however, in an effort to broaden the tax base and raise revenues.

4. Debt Management Policies

Venezuela's public sector's external debt stood at $23.8 billion at the end of 1997 and is expected to fall slightly to 23 billion by the end of 1998. External debt represents about 23 percent of GDP. Venezuela's external debt service totaled about 7.3 percent of GDP in 1999, a fall from the previous year's level of 7.8 percent. Venezuela continues to carry a heavy domestic debt burden largely incurred during the 1994-95 banking crisis and as a result of the 1997 labor reforms.

5. Aid

In FY 1999, the U.S. provided an estimated $700,000 in counter-narcotics assistance to Venezuelan law enforcement agencies and the military from international narcotics control funds. The U.S. also gave the government $400,000 in aid under the International Military Education and Training Program (IMET) to strengthen the country's counter-narcotics capabilities.

6. Significant Barriers to U.S. Exports

After many years of following an economic policy based on import substitution, Venezuela began to liberalize its trade regime with its accession to the General Agreement on Tariffs and Trade (GATT) in 1990. Venezuela became a founding member of GATT’s successor, the World Trade Organization (WTO) in 1995 following completion of the Uruguay Round negotiations. Venezuela implemented the Andean Community's Common External Tariff (CET) in 1995, along with Colombia and Ecuador. The CET has a five-tier tariff structure of 0, 5, 10, 15, and 20 percent. Venezuela's average import tariff on a trade-weighted basis is roughly 10 percent.

Under the Andean Community's Common Automotive Policy (CAP), assembled passenger vehicles constitute an exception to the 20 percent maximum tariff and are subject to 35 percent import duties. The knock-down kits from which such cars are assembled enter Venezuela with only a three percent duty. Imports of used automobiles, used clothing and used tires remain prohibited, even though Venezuela agreed to eliminate all GATT-inconsistent quantitative restrictions by the end of 1993 as part of its accession to the GATT. The CAP is scheduled for elimination by January 1, 2000, as part of Venezuela's commitment to conform to the World Trade Organization's prohibition on Trade Related Industrial Measures (TRIMS).

Venezuela implemented the Andean Community's price band system in 1995 for certain agricultural products, including feed grains, oilseeds, oilseed products, sugar, rice, wheat, milk, pork and poultry. Yellow corn was added to the price band system in 1996. Ad valorem rates for these products are adjusted according to the relationship between market commodity reference prices and established floor and ceiling prices. When the reference price for a particular market commodity falls below the established floor price, the compensatory tariff for that commodity and related products is adjusted upward. Conversely, when the reference price exceeds the established ceiling, the compensatory tariff is eliminated. Floor and ceiling prices are set once a year based on average CIF prices during the past five years. Normally, Venezuela publishes these prices on April 15. However, so far in 1999 Venezuela has not published its list of prices. This has upset several of the country's Andean Community (CAN) trading partners and has led both Colombia and Ecuador to sue Venezuela in the CAN.

Import Licenses: Venezuela requires that importers obtain sanitary and phytosanitary (SPS) certificates from the Ministries of Health and Agriculture for most pharmaceutical and agricultural imports. The government routinely uses this requirement to restrict agricultural and food imports. For example, Venezuelan authorities banned the import of U.S. poultry in 1993 because avian influenza (AI) exists in the United States. The restriction is not based on a scientific risk assessment indicating that U.S. poultry exports pose a risk to the Venezuelan poultry industry. The Ministry of Agriculture modified this import prohibition in its Official Gazette on March 13, 1997, allowing the import of pathogenic free (SPF) eggs from "avian influenza countries and the import of certain processed poultry products from AI countries."

In April 1997, the government lifted a ban on U.S. pork and swine imports imposed because of Porcine Reproductive and Respiratory Syndrome (PRRS). The Venezuelan Agricultural Health Service (SASA) and Ministry of Health officials also reviewed the U.S. meat processing system as overseen by the USDA and approved U.S. facilities for export to Venezuela. Venezuela now plans to invoke its WTO-negotiated Tariff Rate Quota (TRQ) for pork imports, again limiting market access below actual demand. The TRQ is 877 metric tons and is allocated once a year, mostly to members of the Venezuelan Association of Industrial Meat Producers (AICAR).

The Ministry of Agriculture implemented a yellow corn import licensing system in February 1997, under its WTO tariff rate quota for sorghum and yellow corn. This allowed enforcement of domestic sorghum absorption requirements. Under this system, feed manufacturers must purchase a government-assigned amount of domestic sorghum at the official (i.e. higher than world market) price in order to obtain import licenses for yellow corn. The Ministry of Agriculture has announced that it may establish similar import license requirements for white corn, rice, powdered milk, and oil seeds.

On November 1, 1999, the government established a new requirement for importers of agricultural goods. Importers must now register with the Ministry of Production and Commerce (MPC). They must provide the MPC with a list of their purchases, a list of the clients to whom they sell and copies of invoices for those sales. Ostensibly, this is to allow the MPC to investigate charges that imports harm the agricultural sector. Importers have complained that this practice establishes yet another bureaucratic barrier to imports.

Services Barriers: Professionals working in disciplines covered by national licensing legislation (e.g. law, architecture, engineering, medicine, veterinary practice, economics, business administration/management, accounting, and security services) must re-validate their qualifications at a Venezuelan University and pass the Associated Professional Exam. Foreign journalists who plan to work in the domestic Spanish language media face similar revalidation requirements.

Standards, Testing, Labeling and Certification: The Venezuelan Commission of Industrial Standards (COVENIN) requires certification from COVENIN-approved laboratories for imports of over 300 agricultural and industrial products. U.S. exporters have experienced difficulties in complying with the documentary requirements for the issuance of COVENIN certificates. Some Venezuelan importers of U.S. products have alleged that COVENIN applies these standards more strictly to imports than to domestic products.

The government started to require certificates of origin for imports in March 1996 that are "similar to goods which currently have anti-dumping or compensatory measures applied to them." Importers have complained that the new requirement, which primarily affects textiles and garments, is burdensome and time-consuming to fulfill. Tariff and non-tariff barriers also inhibit the importation of milk, some cereals and certain live animals.

Investment Barriers: Foreign investment is restricted in the petroleum sector, with the exploration, production, refining, transportation, storage, and foreign and domestic sale of hydrocarbons reserved to the government and its entities under the 1975 Hydrocarbon Law. However, private companies may engage in hydrocarbons-related activities through operating contracts or through equity joint ventures as long as the following conditions are met: 1) the joint ventures guarantee state control of the operation; 2) they are of limited duration; and 3) they have the prior authorization of Congress. PDVSA has opened the oil sector to increasing amounts of foreign investment since 1993 through both operating contracts and joint ventures.

During 1999,the GOV passed significant legislation under the Enabling Law in the mining, electric and gas sectors. It was also considering new telecommunications legislation. Finally, the President's Council of Ministers passed a new investment law under the auspices of the Enabling Law. All of these proposals were generally pro-investment, assuming good-faith implementation of their provisions and adequate enforcement legislation and regulation. Consequently, when they come into force, these laws should reduce barriers to foreign investment in specific sectors and in the economy as a whole. The exploitation of iron ore remains reserved to the state and therefore is not open to foreign investment. (Iron ore is not covered by the new Mining Law.)

Venezuela limits foreign equity participation (except that from other Andean Community countries) to 19.9 percent in enterprises engaged in television and radio broadcasting, in the Spanish-language press, and in professional services subject to national licensing legislation.

Venezuelan law incorporates performance requirements and quotas for certain industries. Under the Andean Community's Common Automotive Policy (CAP), all car assemblers in Venezuela must incorporate a minimum amount of regional content in their finished vehicles. The local content requirement for passenger vehicles was 34 percent in 1999 (though a revised auto regime is currently being developed.) The government enforces a "one for one" policy for performers giving concerts in Venezuela. This requires foreign artists featured in these events to give stage time to national performers. There is also an annual quota regarding the distribution and exhibition of Venezuelan films. At least half of the television programming must be dedicated to national programs. Finally, at least half of the FM radio broadcasting from 7 a.m. to 10 p.m. is dedicated to Venezuelan music.

Venezuela's Organic Labor Law places quantitative and financial restrictions on the employment decisions made by foreign investors. Article 20 of the law requires that industrial relations managers, personnel managers, captains of ships and airplanes, and foremen be Venezuelan. Article 27 limits foreign employment in companies with ten or more employees to 10 percent of the work force and restricts remuneration for foreign workers to 20 percent of the payroll. The shortage of skilled Venezuelan workers in the oil sector sometimes makes it difficult for foreign oil companies to meet this requirement. Article 28 allows temporary exceptions to Article 27 and outlines the requirements to hire technical experts when equivalent Venezuelan personnel are not available.

Government Procurement Practices: Venezuela's new Government Procurement Law, promulgated by the Executive under the auspices of the Enabling Law and published on October 11, 1999, provides details on required information for inclusion in an invitation to bid on a government contract and stipulates that there will be no discrimination against national bidders. The law grants the President and the Executive Branch enormous discretionary power in granting contracts. For example, the President may approve temporary measures to promote domestic production or offset unfavorable conditions for domestic industry and may set restrictions, criteria, and guidelines for preferences to Venezuelan nationals. Finally, in September 1999, the Ministry of Energy and Mines issued a directive to PDVSA instructing the company to favor national providers in its purchases of supplies.

Customs Procedures: In the private sector, both Venezuelan and foreign companies complain that Venezuelan customs is plagued by corruption and antiquated procedures, which frequently delay the clearance of incoming goods. The government took the first step in modernizing customs procedures in October 1996 by initiating a new computerized operation at La Guaria, one of the country's main ports.

The government passed a new Customs Law at the end of 1998 which made private customs agents criminally responsible for illegal shipments or undervalued shipments that enter the country. The government also instituted measures to assess customs charges for imported clothes according to minimum prices set by the bulk weight of a given shipment. Critics charged that the new regulations constitute an effort to protect manufacturers hard hit by the overvalued currency and the domestic recession. The government countered that the new customs regulations are temporary (they are renewable regulations set to last 180 days), and are designed to be stopgap measures to prevent the deliberate undervaluing of imports pending implementation of the new Customs Law. As of the fall of 1999, these temporary measures were still in effect, having been renewed twice.

7. Export Subsidies Policies

Venezuela has a duty drawback system that provides exporters with a customs rebate paid on imported inputs. Exporters can also get a rebate of the 16.5 percent wholesale tax levied on imported inputs. Foreign as well as domestic companies are eligible for these rebates. Exporters of selected agricultural products -- including coffee, cocoa, some fruits and certain seafood products -- receive a tax credit equal to 10 percent of the export's FOB value.

8. Protection of U.S. Intellectual Property

Venezuela belongs to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). It is also a signatory to the Paris Convention, Berne Convention, Rome Convention, Phonograms Convention, and the Universal Copyright Convention. In 1999, the U.S. Trade Representative maintained Venezuela on the "Special 301" Watch List because it does not yet provide adequate and effective protection of intellectual property rights (IPR).

Although Venezuela has improved its protection of intellectual property rights over the last few years and in the Constitution draft, U.S. companies continue to express concern about inadequacies in the enforcement of patents, trademarks, and copyrights. The Venezuelan court system has been an unreliable means for pursuing IPR claims.

In July 1996, the government took a significant step forward in improving enforcement by forming a special anti-piracy unit (COMANPI) to enforce copyright law, including efforts to counter the piracy of satellite signals and cable television. In 1998, COMANPI expanded its mandate to include enforcement of patents and trademarks. In March 1997, the government created a new Intellectual Property and Trademark Office (SAPI) by merging the existing Industrial Property Office (SARPI) with the National Copyright Office. SAPI became operational on May 1, 1998. In general, SAPI has been active in enforcing IPR standards. The organization remains overstretched, however, with significant technical limitations and a large backlog of cases. SAPI's most recent Director General, Thaimy Marquez, who was appointed in May 1999, has instituted an ambitious program to modernize the organization's computer database with a loan from the World Bank.

Patents: Andean Community Decisions 344 and 345, which took effect in 1994, are comprehensive and offer a significant improvement over the previous standards of protection for patents and trademarks provided by Venezuela's 1955 Industrial Property Law. However, the CAN Decisions are not yet fully TRIPS consistent. For example, they deny pharmaceutical patent protection for medicines registered on the World Health Organization's list of essential drugs. Furthermore, they lack provisions concerning transitional ("pipeline") protection and protection from parallel imports. The decisions also do not contain provisions for enforcing intellectual property rights.

This legislation is now being updated, both in Venezuela and in the CAN. In the fall of 1999, the Venezuelan Congress was working on a TRIPS-consistent draft law to replace the 1955 Industrial Property Law. If all goes according to plan, Congress will complete this work before the WTO's January 1, 2000, deadline. Venezuela has also been a leader among the Andean countries in the process to modify Decision 344 to make it consistent with the WTO TRIPs Agreement.

Trademarks: Decision 344 improves protection for famous trademarks, prohibits the coexistence of similar marks, and provides for the cancellation of trademark registrations based on "bad faith." However, problems remain with Venezuela's trademark application process. Current procedures enable local pirates to produce and sell counterfeit products even after the genuine owners of those trademarks have undertaken (often lengthy) legal proceedings against the pirates. Trademark piracy is common in the clothing, toy, and sporting goods sectors. Enforcement remains inadequate. U.S. food distributor Sysco Corporation, Reebok Shoes, and Home Depot are all examples of U.S. companies now engaged in litigation to gain exclusive rights to the use of their trademarks in Venezuela.

Copyrights: Andean Community Decision 351 and Venezuela's 1993 Copyright Law are modern and comprehensive and have substantially improved protection of copyrighted products in Venezuela. The Copyright Law extended protection to a wide range of creative works, including computer software, satellite signals, and cable television. Despite consistent action on the part of COMANPI, computer software and video piracy are still common.

New Technologies: Decision 351 and Venezuela's Copyright Law protect an array of creative activities in the computer and broadcasting fields. Nevertheless, Decision 344 excludes diagnostic procedures, animals, experiments with genetic material obtained from humans, and many natural products from patent protection. However, it does contain provisions for the protection of industrial secrets.

9. Worker Rights

a. The Right of Association: Both the 1961 Constitution and local labor law recognize and encourage the right of unions to organize. The comprehensive 1990 Labor Code extends to all private sector and public sector employees (except members of the armed forces) the right to form and join unions of their choosing. One major union umbrella organization, the Venezuelan Confederation of Workers (CTV), three smaller unions affiliated with CTV, and a number of independent unions all operate freely. About 25 percent of the national labor force is unionized.

b. The Right to Organize and Bargain Collectively: The Labor Code protects and encourages collective bargaining, which is freely practiced. Employers must negotiate a collective contract with the union that represents the majority of their workers in a given enterprise. The labor code also contains a provision stating that wages may be raised by administrative decree, provided that Congress approves the decree. The law prohibits employers from interfering with the formation of unions or with their activities and from stipulating as a condition of employment that new workers must abstain from union activity or that they must join a specified union.

c. Prohibition of Forced or Compulsory Labor: The Labor Code states that no one may "obligate others to work against their will."

d. Minimum Age for Employment of Children: The Labor Code allows children between the ages of 12 and 14 years to work only if the National Institute for Minors or the Labor Ministry grants special permission. However, children between the ages of 14 and 16 need only the permission of their legal guardians. Minors may not work in mines or smelters, in occupations "that risk life or health," in jobs that could damage their intellectual or moral development, or in "public spectacles." Those under 16 years of age cannot work more than six hours a day or 30 hours a week. Minors under the age of 18 years may work only between 6 a.m. and 7 p.m.

e. Acceptable Conditions of Work: Effective May 1999, the monthly minimum wage for the private sector is $190 (BS 120,000) for urban workers and $170 (BS 108,000) for rural workers. The law excludes only domestic workers and concierges from coverage under the minimum wage decrees. The Ministry of Labor enforces minimum wage rates effectively in the formal sector of the economy, but generally does not enforce them in the informal sector. The new Constitution (subject to approval by referendum on December 15, 1999) would reduce the standard workweek to a maximum of 40 hours and requiring "two complete days of rest each week." The code also states that employers are obligated to pay specific amounts (up to a maximum of 25 times the minimum monthly salary) to workers for accidents or occupational illnesses, regardless of who is responsible for the injury.

In a statute passed in 1998, employers with fifty or more employees must now provide workers who earn less than twice the minimum wage (about $350 a month) with a meal during each work shift. Employers can do this by providing their own canteen, contracting with a food service or distributing lunch tickets that workers can redeem at food establishments.

f. Rights in Sectors with U.S. Investment: People who work in sectors that receive high levels of U.S. investment receive the same protection as other workers. The wages and working conditions for those in U.S.-affiliated industries are better than average in the majority of cases.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 1998

(Millions of U.S. Dollars)

Category		Amount
Petroleum		1,516
Total Manufacturing		1,856
Food & Kindred Products	536	
Chemicals & Allied Products	192	
Primary & Fabricated Metals	124	
Industrial Machinery and Equipment	26	
Electric & Electronic Equipment	81	
Transportation Equipment	369	
Other Manufacturing	529	
Wholesale Trade		230
Banking		(1)
Finance/Insurance/Real Estate		64
Services		153
Other Industries		(1)
TOTAL ALL INDUSTRIES		5,697

(1) Suppressed to avoid disclosing data of individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.